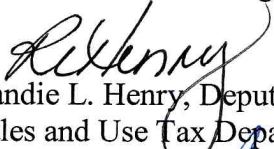



# Memorandum

**To** : Honorable Judy Chu, Ph.D., Chair  
Honorable Betty T. Yee, Vice Chairwoman  
Honorable Bill Leonard  
Honorable Michelle Steel  
Honorable John Chiang

**Date:** August 8, 2008

**From** :  Randie L. Henry, Deputy Director  
Sales and Use Tax Department

  
David J. Gau, Deputy Director  
Property and Special Taxes Department

**Subject : Security Deposit Program Update**  
**August 19, 2008 – Customer Service and Administrative Efficiency Committee**

This memo provides an update on the security deposit program. The district offices and the Property and Special Taxes Department (PSTD) divisions continue to work the security deposit reports each month and all security deposits eligible for release are being released before the end of the month.

On July 31, 2008, the Technology Services Division completed the programming changes needed to include the new release criteria for the Active Security Three Years and Older Report. The programming to automatically generate the security denial letter is on schedule for implementation on August 30, 2008.

The Compliance Policy and Procedures Manual (CPPM) section 405.035, *Release and Refund of Security – Active Accounts*, has been revised to incorporate the new criteria and release policy. The revision is currently posted on the Board of Equalization (BOE) Internet website for public comment.

The Security Deposits Work Group has reviewed the policies and procedures for the security deposits program and has a number of recommended changes. CPPM Chapter 4, *Security*, has been updated to reflect the new policies and procedures. This revision is currently in the internal clearance process.

We are currently working with a representative from a financial institution regarding a service they provide for cash security deposits. Under their proposal, the cash security deposits would be posted through BOE and then we would transfer the funds to the financial institution where it would be held in an escrow account. The financial institution would pay the taxpayer interest and handle the 1099 reporting requirements. We are in the preliminary stages of evaluating the proposal and need to gather additional information to determine if BOE can use this service.

We continue to meet our expected completion dates for the security deposits program action plan as referenced in memorandum dated May 9, 2008. If you have any questions, please feel free to contact us.

RLH:DJG;jt:lsc

cc: Mr. Steve Shea  
Mr. Mark Ibele  
Mr. Alan LoFaso  
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